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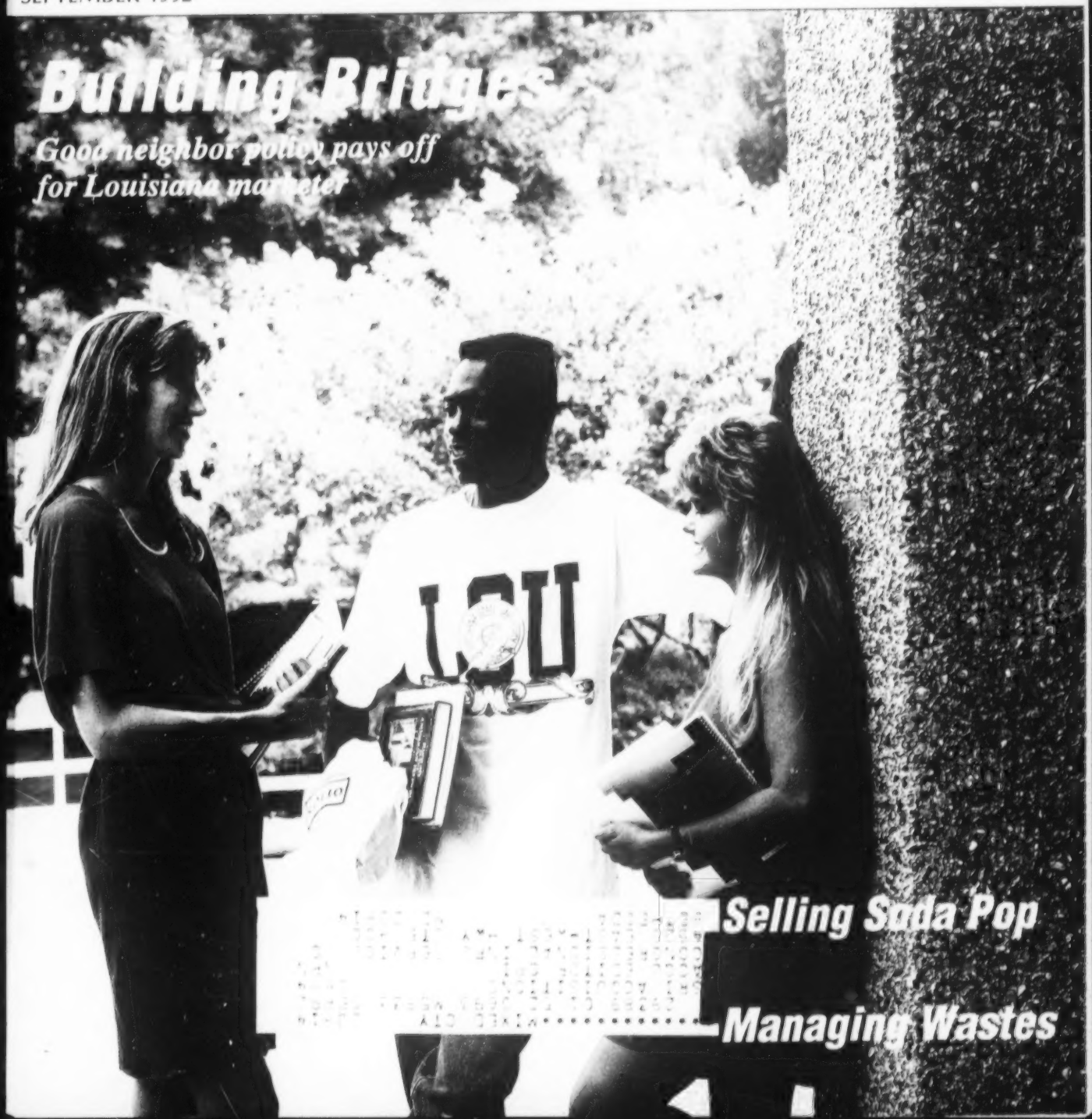

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Editor's Viewpoint

Day in and day out the discouraging news streams into our *NPN* news desk. Relentlessly, almost without pause, the bad news keeps coming: the bankruptcies, layoffs, lawsuits, tax cheaters, price inversions, new regulations...

Enough, already! Time for some good news. Time to switch on the light at the end of the tunnel.

It's a bit of a challenge these days to dig out the good news. Fortunately, I think our cover feature this month is just the kind of late-summer tonic the doctor ordered. When *NPN* South reporter Angel Abcede filed his story on Shreveport, La.-based marketer Al Otto and his daughters, Loralee Otto and Suzanne Otto Cush (see p32), I knew we had an antidote to a lot of the dismal news and events we've been obligated to report this year.

It's truly an upbeat story. But success hasn't come easy for Al Otto and his daughters (who are taking over the management reins of the 12-million gal./yr. jobbership). A willingness to take risks, to invest large amounts of capital, plus a commitment to making their retail outlets the showplaces of their trading areas—these were the building blocks of their success and growth.

But Al and Loralee and Suzanne have added another dimension to their entrepreneurship. They've worked hard to become "good neighbors" in the mostly disadvantaged communities they serve, investing heavily not only in attractive, well-lit stores, but also in community activities and in educational support programs for their employees. And the payoff has been well worth the effort, the Ottos discovered, in terms of community acceptance and the positive image created for their stores.

Good news doesn't just happen. Dedicated people like the Ottos make it happen.

Once again, I regret having to report the passing of a valued contributor to our *NPN* pages. Samuel H. Borenkind, 81, the author of our monthly "Legal Tips for Marketers" column, died on July 20 while on a cruise to Bermuda. Mr. Borenkind, a widely respected attorney specializing in the petroleum industry for over 50 years, began his incisive, well-informed commentary in the May 1974 issue of *NPN*, a period when volatile events in the oil industry brought legal issues to the forefront. Mr. Borenkind, who also served as attorney for the Pennsylvania Petroleum Assn. and counsel for the Empire State Petroleum Assn. and the Fuel Merchants Assn. of New Jersey, is survived by his wife, Arline Borenkind; two daughters, Lois Stangel and Helaine Wills; and four grandchildren.

—Don Smith

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Some Bright Spots, But So Far '92 Not a Good Year for Major Oil

It has not been a good year for leading U.S. oil companies, at least not for corporate or downstream earnings. Worldwide economic slowdown, weak product demand and tight refining and marketing margins were all reasons given for the poor performance of oil companies in the second quarter of 1992 compared to the same period a year ago.

Of the top five companies, only Shell Oil Co. posted improved figures in the second quarter and for the first half of '92 compared to the same periods a year ago. Shell's figures, however, are largely due to internal belt-tightening measures and tax adjustments the company has taken. "Operating earnings in all business segments benefited from the progress we are making in our cost-reduction programs," says Frank Richardson, president. In addition, the company is planning to sell off some of its assets, such as its coal mining subsidiary, to concentrate on the exploration and production of oil and gas.

At the other end of the scale, Amoco Oil Co. posted a whopping $478-million loss in corporate earnings in the second quarter for a $244-million loss over the first six months. Downstream, Amoco reported earnings, but this year's numbers were down roughly 70% from those posted a year ago. Chairman and CEO H. Laurance Fuller attributes the decline upstream to higher exploration expenses. He attributes the downstream decline to "a very competitive environment and continued soft demand, resulting in lower refined profit margins."

By far the largest increase in earnings was reported by Unocal Corp., whose corporate earnings jumped from $5-million in second quarter 1991 to $66-million this year. Downstream figures also showed dramatic improvement, climbing more than 450% from last year. Richard Stegemeier, chairman and CEO, says these figures reflect "improved refining and marketing earnings and lower dry hole expenses." More specifically, Unocal cites higher West Coast margins and benefits from its acquisition of Shell's Carson, Calif., refinery.

Elsewhere, Phillips, Chevron and Kerr-McGee had good news to report for the second quarter. All of these three companies report recently implemented cost-cutting programs or efforts to streamline expenses as reasons for this improvement. Kerr-McGee was somewhat unusual, however, in citing "higher refining and marketing sales volumes and margins," according to Frank McPherson, chairman and CEO. McPherson also cites higher crude oil and natural gas sales prices and volumes.

Corporate Earnings, Second-Quarter 1992

(millions of dollars)

	2nd-Qtr. 1992	2nd-Qtr. 1991(a)	% Change	6-Mos. 1992	6-Mos. 1991(a)	% Change
Exxon	$955.0	$1,125.0	(15.1)%	$2,305.0	$3,365.0	(31.5)%
Mobil	255.0	445.0	(42.6)	382.0	1,155.0	(66.9)
Chevron	350.0	384.0	(8.9)	654.0	941.0	(30.5)
Amoco	(478.0)	238.0	—	(244.0)	730.0	—
Shell	183.0	(68.0)	—	377.0	57.0	561.0
Texaco	245.0	269.0	(8.9)	445.0	684.0	(34.9)
Arco	309.0	246.0	25.6	489.0	597.0	(18.1)
BP America	379.0	426.0	(11.0)	653.0	1,077.0	(39.4)
Phillips	104.0	16.0	550.0	(10.0)	123.0	—
Conoco	NA	229.0	—	NA	551.0	—
Marathon	226.0	64.0	253.1	261.0	135.0	93.3
Unocal	66.0	5.0	1,220.0	82.0	80.0	2.5
Coastal	35.6	26.2	35.9	58.0	80.5	(28.0)
Amerada Hess	4.4	67.7	(93.5)	(19.0)	143.4	—
Sun	6.0	43.0	(86.0)	(15.0)	84.0	—
Pennzoil	10.0	12.2	(18.0)	(1.7)	(15.5)	(89.0)
Ashland(b)	31.6	66.6	(52.6)	52.0(c)	82.5(c)	(37.0)
Kerr-McGee	30.3	10.3	194.2	38.9	40.0	(2.8)
Fina	5.5	4.2	31.0	0.0	12.5	(100.0)
Citgo	26.0	25.0	4.0	53.0	66.0	(19.7)
Murphy	33.9	(105.1)	—	57.2	(79.5)	—
Total Petroleum	10.5	10.9	(3.7)	(6.9)	(2.4)	187.5
Diamond Shamrock	23.5	17.7	32.8	12.7	22.0	(42.3)
Crown Central	2.6	8.4	(69.0)	(4.0)	2.4	—
Mapco	23.0	3.0	666.0	58.0	59.0	(1.7)

Downstream Earnings

(millions of dollars)

	2nd-Qtr. 1992	2nd-Qtr. 1991(a)	% Change	6-Mos. 1992	6-Mos. 1991(a)	% Change
Exxon (total)	$180.0	$532.0	(66.2)%	$653.0	$1,885.0	(65.4)%
Domestic	47.0	113.0	(58.4)	70.0	369.0	(81.0)
Foreign	133.0	419.0	(68.3)	583.0	1,516.0	(61.5)
Texaco (total)	174.0	194.0	(10.3)	346.0	465.0	(25.6)
Domestic	80.0	65.0	23.1	160.0	125.0	28.0
Foreign	94.0	129.0	(27.1)	186.0	340.0	(45.3)
Chevron (total)	149.0	50.0	198.0	210.0	283.0	(25.8)
Domestic	95.0	(16.0)	—	134.0	83.0	61.4
Foreign	54.0	66.0	(18.2)	76.0	200.0	(62.0)
Mobil (total)	25.0	279.0	(91.0)	77.0	721.0	(89.3)
Domestic	(45.0)	65.0	—	(49.0)	165.0	—
Foreign	70.0	214.0	(67.3)	126.0	556.0	(77.3)
Amoco (total)	64.0	227.0	(71.8)	129.0	441.0	(70.7)
Shell	18.0	(27.0)	—	16.0	(23.0)	—
BP America	24.0	69.0	(65.2)	(41.0)	145.0	—
Arco	103.0	85.0	21.2	181.0	159.0	13.8
Phillips	NA	58.0	—	NA	181.0	—
Conoco	NA	160.0	—	NA	NA	—
Sun	31.0	73.0	(57.5)	24.0	111.0	(78.4)
Marathon(d)	52.0	131.0	60.3	96.0	233.0	(58.8)
Kerr-McGee	9.1	2.6	250.0	3.8	6.0	(37.0)
Murphy	6.1	13.8	(55.8)	6.8	33.8	(80.0)
Unocal	39.0	7.0	457.0	46.0	3.0	1,433.0

NA Not Available.
(a) Revised.
(b) 3rd quarter ends June 30; fiscal year ends September 30.
(c) 9 months; fiscal year ends September 30.
(d) Operating income, not net.
Source: Oil company earnings reports.

● TRENDS

Oil Fights Back: Who Is Listening?

The limping economy in the United States is a crucial national issue in this election year, and the petroleum industry is among the hardest hit. Oil industry leaders seem to sense that this is the time to take the industry's case to the public.

The oil industry has been mostly silent the past decade while it suffered gradual debilitation at the hands of national, state and local regulators. Most of the damage was inflicted in the name of the environment, which is motherhood and apple pie.

The U.S. oil industry is gradually pulling out of the country, investing increasingly in foreign prospects and exporting refining to areas that are more tolerant of it. The crushing investments needed by refiners to clean up their emissions and residues and make cleaner-burning gasoline and diesel fuel have sealed the petroleum industry's fate. It is highly unlikely that another refinery will ever be built in this country, and some of the refineries that already exist will expire.

Singling out the sensitive issue of jobs, Charles J. DiBona, president of the American Petroleum Institute (API), says, "Half of the 900,000 jobs that existed in the U.S. oil and gas extraction and refining industries just 10 years ago no longer exist.

"While the rest of the economy is slowly emerging from a two-year recession, the domestic petroleum industry has been mired in a severe depression since the mid-1980s—its problems exacerbated by government polices that severely limit the industry's ability to compete in a global market.

"We are losing, or exporting overseas, quality blue- and white-collar jobs, together with skills and technology—hurting both American families and the nation as a whole."

Chevron chairman Kenneth Derr, speaking at a meeting of legislators, said, "What is happening in America's petroleum industry ought to be a national scandal.... Instead, it seems to be a national secret." He added that the American petroleum industry has lost approximately 440,000 jobs since 1982.

He said, "Refiners will bear a disproportionate share of the load—somewhere between $30-billion and $50-billion over the next five years. And what that translates into is more plant closures, more lost jobs, more economic pain for American communities."

DiBona of API further comments, "While almost all nations are encouraging oil and gas exploration and production in their territories, our political leaders have voted to place America's most highly promising lands off limits to drilling.

"Similarly, in the refining sector, regulations requiring expenditures that outweigh any possible gain have helped create a black hole into which American jobs are disappearing."

Derr called on legislators, industry and the media to inform the public on these issues and to work toward policies that balance energy, environment and economic development.

DiBona comes to this conclusion: "It is time for America's political leaders to do some heeding.... Perhaps today's massive loss of jobs will serve as a wakeup call to Congress."

It is not only political leaders who are to blame for the current situation. So are professional environmentalists and their paying constituents. Coastal residents and others oppose offshore drilling rigs. Everyday people have handed regulators the power to dictate environmental cleanup. These are their causes, but it is the price that seems to escape them.

There is much evidence that the public thinks cleanup costs come out of industry's pockets, not their own. Perhaps the unemployed do not see the connection between many of their jobs and the heavy-handed regulation of the oil industry. The petroleum industry is increasingly trying to make the point, and it remains to be seen if anybody will listen.

—Mark Emond

● MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

JUNE	Gasoline (All types*)	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$1.239	$1.179	$1.359
Regions			
Northeast	1.263	1.186	1.392
North Central	1.206	1.163	1.330
South	1.202	1.129	1.312
West	1.315	1.267	1.443

** Data no longer collected or available on leaded regular.*

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	7/24/92	7/26/91
Gasoline (Total)	219,235	210,847
Unleaded*	178,886	165,318
Jet Kerosine	39,203	43,044
Distillates	112,860	120,424
Residual	39,674	44,612

** Leaded regular prices no longer collected by Bureau of Labor Statistics.*

Source: American Petroleum Institute.